

SHCD Transition Guiding Principles

- Transaction must be fair to both County and District
 - Board of Supervisors, serving in dual capacities, should formulate and draft key transition agreements, but not approve on behalf of District
 - Staff should be specifically assigned to independently represent the District & County during drafting process
 - New District Board should approve key agreements
- Transition must result in a “clean hand off” of operations to the new District
 - Board of Supervisors and CAO should play a **direct** role in managing the transition (Serve dual roles with County and District)
 - Need for post-transition reconciliation (“true ups”) should be minimized, and where necessary, clearly defined in terms of timing, scope, and dollar range.
 - Financial reporting and business operations must be operating at an optimal level
 - Health plan claims payment system (OAO) issues must be resolved
- Transition should be “transparent” as possible to employees
 - Benefits and basic policies should remain in place during the transition

SHCD Transition Operations Guiding Principles

- During this transition period, the Board of Supervisors primary objective will be to preserve and maintain the assets of MIHS in essentially the same form as they existed on November 4, 2003; to minimize the expenses and liabilities of MIHS in order to accomplish a “clean hand off” of an efficient, well-run organization; and at the same time protect Maricopa County from future liabilities.
- During the transition period, the Board of Supervisors does not intend to substantially expand or contract the scope of health care services provided by MIHS. Existing lines of business should be maintained and additional emphasis placed on increasing operational efficiency to the extent possible. New or expanded services will be critically evaluated. Only those that significantly increase revenue, entail a prudent level of risk to both Maricopa County and the District Board, and achieve an increase in efficiency will be considered prior to the transfer.
- New capital construction and other purchases will generally not be approved unless it is necessary to replace existing equipment or facilities that are beyond repair. Capital projects requiring non-MIHS funding must be prioritized with other County projects.
- Contracts and contract extensions required to maintain MIHS in its current configuration should, to the extent possible, be negotiated to cover an initial term that ends within the first year after the new District Board takes office. Contract end dates should be staggered to allow the new Board to review renewal decisions in an organized manner. Long term contracts will generally not be approved unless no other option is available to maintain the existing service level or operational efficiency of the system.
- All agreements must include assignment language, insuring that Maricopa County is held harmless from damages for actions taken by the District after its formation.

SHCD Transition Plan Summary

- SHCD Transition Plan will be organized into four tracks:
 - Legal Track
 - Financial Track
 - Transactional Track
 - Operations Track
- Legal Team consists of:
 - Richard Romley, County Attorney
 - Chris Keller, County Counsel
 - William Sims, Outside Counsel
- Financial Team will be lead by Tom Manos, Maricopa County CFO.
 - Additional team members will be identified by Mr. Manos, and will include services of Management Consultants
- Transactional Team will consist of members of both Legal and Financial Teams
- Operations Track will be administered by Management Consultant services consistent with the “SHCD Transition Guiding Principles” and “SHCD Transition Operations Guiding Principles.” (See Attachments A & B.)

SHCD Transition Target Date

- SHCD Transition timing is heavily influenced by issues that relate to each of the “four tracks”:
 - Legal Issues include:
 - Impact on Maricopa County’s expenditure limitation
 - Impact on Dispro Share fund transfers
 - Lease of Real Property (Requires Appraisal)
 - Financial issues include:
 - Valuation of Contractual Allowances and IBNR
 - Valuation of IBNR is not practical until OAO claims payment system has been fully operational for six months or more
 - Contractual
 - Valuation of Accounts Receivable
 - Valuation of Accounts Payable
 - Inventory of Fixed Assets
 - Transactional Issues
 - Intergovernmental Agreements (IGAs) must be drafted to cover:
 - Transfer of assets/liabilities and employees
 - Purchased services (both by and from the District)
- **Recommended Target Date: January 1, 2005**